

**EMMETSBURG
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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EMMETSBURG COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2007 Election)

Karla Anderson	President	2009
Dave Van Oosbree	Vice President	2009
Don Hagen		2007
Paul Herbers		2007
Scott Dettmann		2008
Steve Pelzer		2007
Kent Egland		2008

(After September, 2007 Election)

Karla Anderson	President	2009
Dave Van Oosbree	Vice President	2009
Don Hagen		2011
Linda Tienter		2011
Scott Dettmann		2008
Steve Pelzer		2011
Kent Egland		2009

School Officials

John Joynt	Superintendent
Patricia Swanson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District, Emmetsburg, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2009 on our consideration of Emmetsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmetsburg Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

January 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Emmetsburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,655,012 in fiscal 2007 to \$6,364,241 in fiscal 2008 (4% decrease), while General Fund expenditures increased from \$6,870,864 in fiscal 2007 to \$7,011,951 in fiscal 2008 (2% increase).
- Expenses increased primarily due to normal salary increases.
- General Fund revenues decreased almost \$300,000. Several areas of funding showed decreases except state funding which increased by only 1%.
- The General Fund balance decreased over \$647,000 to finish the year with a positive balance of over \$432,000. This is still a marked improvement from the deficit position that the District was in only five years ago.
- The District began collecting local option sales and services taxes in fiscal year 2005. This money is to be used for property tax relief, debt retirement, equipment and building projects.
- The District passed a bond issue for additions to and remodeling of the high school building. The building will now house grades 5-12. Funds for the construction will come from existing capital projects monies and sources as well the bond issue. It is anticipated that the District's General Fund will benefit from increased efficiencies in staffing, utilities and transportation.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Emmetsburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Emmetsburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Emmetsburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Emmetsburg Community School District Annual Financial Report

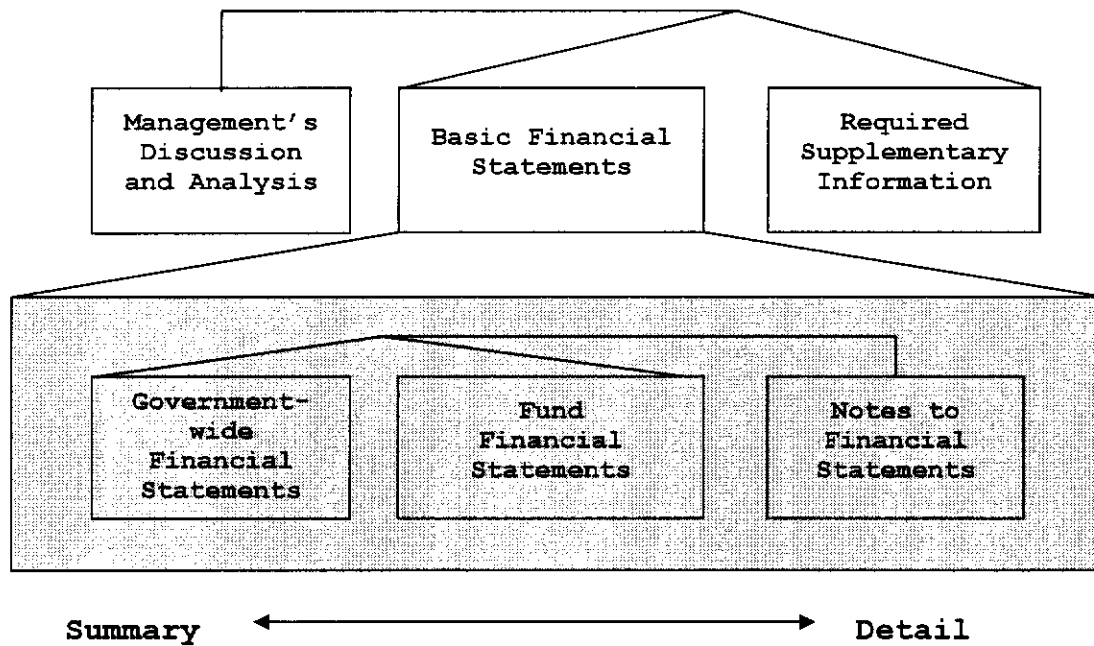


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Funds, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Fund - The District accounts for the flex benefit program in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 8,795	13,090	12	14	8,807	13,104	-32.79%
Capital assets	7,255	2,668	2	3	7,257	2,671	171.70%
Total assets	<u>16,050</u>	<u>15,758</u>	<u>14</u>	<u>17</u>	<u>16,064</u>	<u>15,775</u>	<u>1.83%</u>
Current liabilities	3,561	3,153	4	8	3,565	3,161	12.78%
Non-current liabilities	7,321	7,493	-	-	7,321	7,493	-2.30%
Total liabilities	<u>10,882</u>	<u>10,646</u>	<u>4</u>	<u>8</u>	<u>10,886</u>	<u>10,654</u>	<u>2.18%</u>
Net Assets							
Invested in capital assets, net of related debt	65	2,668	2	3	67	2,671	-97.49%
Restricted	4,462	1,036	-	-	4,462	1,036	330.69%
Unrestricted	641	1,408	8	6	649	1,414	-54.10%
Total net assets	<u>\$ 5,168</u>	<u>5,112</u>	<u>10</u>	<u>9</u>	<u>5,178</u>	<u>5,121</u>	<u>1.11%</u>

Unrestricted net assets decreased primarily due to the District's General Fund decreasing as construction is concluded. Restricted assets grew as the Capital Projects Fund continued to accumulate funds for infrastructure projects. This will reverse in the next fiscal year. 4% allowable growth combined with decreases in both resident and open enrollment students has caused decreases in funding from all sources.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2008 and 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
\$ 593	703	223	208	816	911	-10.43%	
1,319	1,143	139	145	1,458	1,288	13.20%	
2,620	2,615	-	-	2,620	2,615	0.19%	
451	379	-	-	451	379	19.00%	
362	440	-	-	362	440	-17.73%	
2,426	2,462	-	-	2,426	2,462	-1.46%	
32	81	-	-	32	81	-60.49%	
5	48	-	-	5	48	-89.58%	
<u>7,808</u>	<u>7,871</u>	<u>362</u>	<u>353</u>	<u>8,170</u>	<u>8,224</u>	<u>-0.66%</u>	
4,975	4,389	-	-	4,975	4,389	13.35%	
2,236	2,614	-	-	2,236	2,614	-14.46%	
-	-	361	356	361	356	1.40%	
541	634	-	-	541	634	-14.67%	
<u>7,752</u>	<u>7,637</u>	<u>361</u>	<u>356</u>	<u>8,113</u>	<u>7,993</u>	<u>1.50%</u>	
\$ 56	234	1	(3)	57	231	-75.32%	

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 89% of the total expenses. The District is spending higher than the state average on these areas which are the most directly related to classroom activities.

Governmental Activities

Revenues for governmental activities were \$7,808,390 and expenses were \$7,752,234.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,975	4,389	13.35%	3,636	2,885	26.03%
Support Services	2,236	2,614	-14.46%	2,222	2,579	-13.84%
Other expenses	541	634	-14.67%	(18)	328	-105.49%
Totals	<u>\$ 7,752</u>	<u>7,637</u>	<u>1.51%</u>	<u>5,840</u>	<u>5,792</u>	<u>0.83%</u>

- The cost financed by users of the District's programs was \$593,089 (16% decrease).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$556,091 (4% decrease).
- The net cost of governmental activities was financed with \$2,619,904 in property tax, \$2,425,541 in state foundation aid, and \$32,194 in interest income.

Business Type Activities

Revenues for the District's School Nutrition Fund were \$362,263 and expenses were \$361,391. The revenues include charges for services, contributions, and federal and state reimbursements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Emmetsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$4,927,397, a 51% decrease over last year's ending fund balance of \$9,680,754. This was a result of capital projects monies being spent on the new building project.

Governmental Fund Highlights

Several factors contributed to the changes of the fund balances in the District's governmental funds.

- The District received \$360,800 in local option sales and service taxes. This money is being used for infrastructure projects.
- The District controlled discretionary spending in all areas.
- Declining enrollment has a negative effect on the General Fund Revenue, decreased in all areas.

Proprietary Fund Highlights

School Nutrition Fund net assets increased approximately \$1,000 in Fiscal 2008.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Actual expenditures exceeded the budget amount in one function. The unspent authorized budget remains in a solid positive position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$7.2 million, net of accumulated depreciation, by the end of fiscal 2008 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District is constructing a new addition to the high school building to house the 5-8 grades. The old junior high building will no longer be used. Total depreciation expenses for the year exceeded \$169,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 10	10	-	-	10	10	0.00%
Buildings	2,314	2,408	-	-	2,314	2,408	-3.90%
Construction in progress	4,686	-	-	-	4,686	-	100.00%
Furniture and equipment	245	251	2	5	247	256	-3.52%
Totals	<u>\$ 7,255</u>	<u>2,669</u>	<u>2</u>	<u>5</u>	<u>7,257</u>	<u>2,674</u>	<u>171.39%</u>

Long-Term Debt

In 2007, the District issued \$7,425,000 of general obligation bonds for building additions and remodeling. The bonds have an interest rate of 4.0% and will fully mature in 2027.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 7,190	7,425	100.00%
Early retirement	131	68	92.65%
	<u>\$ 7,321</u>	<u>7,493</u>	<u>-2.30%</u>

Refer to page 30 of the notes to financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for Fiscal Year 2008 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- The District hopes to achieve future savings by combining the junior and senior high schools onto one campus.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Allowable growth must be increased above 4% to allow the District to maintain its current programs.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Swanson, District Business Manager, Emmetsburg Community School District, 205 King Street, Emmetsburg, IA 50536.

Basic Financial Statements

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 5,582,768	-	5,582,768
Receivables:			
Property tax:			
Current year	47,564	-	47,564
Succeeding year	2,740,800	-	2,740,800
Income surtax	354,617	-	354,617
Due from other governments	65,962	-	65,962
Other receivables	3,297	-	3,297
Inventories	-	12,007	12,007
Capital assets, net of accumulated depreciation	7,255,166	1,932	7,257,098
Total assets	<u>16,050,174</u>	<u>13,939</u>	<u>16,064,113</u>
Liabilities			
Accounts payable	772,194	4,051	776,245
Accrued interest payable	47,933	-	47,933
Deferred revenue:			
Succeeding year property tax	2,740,800	-	2,740,800
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	131,013	-	131,013
General obligation bonds payable	245,000	-	245,000
Portion due after one year:			
General obligation bonds payable	6,945,000	-	6,945,000
Total liabilities	<u>10,881,940</u>	<u>4,051</u>	<u>10,885,991</u>
Net assets			
Invested in capital assets, net of related debt	65,166	1,932	67,098
Restricted for:			
Management levy	9,778	-	9,778
Physical plant and equipment levy	229,454	-	229,454
Debt service	890	-	890
Capital projects	392,836	-	392,836
Unrestricted	4,470,110	7,956	4,478,066
Total net assets	<u>\$ 5,168,234</u>	<u>9,888</u>	<u>5,178,122</u>

See notes to financial statements.

EMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenditures					
Expenses					
Governmental activities:					
Instruction:	588,353	750,407	#VALUE!	-	#VALUE!
Support services:					
Student services	148,500	-	(148,500)	-	(148,500)
Instructional staff services	139,135	-	(139,135)	-	(139,135)
Administration services	727,436	-	(727,436)	-	(727,436)
Operation and maintenance of plant services	903,253	9,111	(894,142)	-	(894,142)
Transportation services	318,027	-	(313,291)	-	(313,291)
	2,236,351	9,111	(2,222,504)	-	(2,222,504)
Other expenditures:					
AEA flowthrough	245,750	245,750	-	-	-
Interest on long-term debt	295,433	31	(295,402)	-	(295,402)
Services on long-term debt	200	-	(200)	-	(200)
Facilities acquisition and construction	-	313,815	313,815	-	313,815
	541,383	559,596	18,213	-	18,213
Total governmental activities	593,089	1,319,114	#VALUE!	-	#VALUE!

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	361,391	222,896	139,367	-	872	872
Total	#VALUE!	815,985	1,458,481	#VALUE!	872	#VALUE!
General revenues:						
Property tax levied for:						
General purposes				\$ 2,265,448	-	2,265,448
Management				150,180	-	150,180
Capital outlay				153,761	-	153,761
Debt service				50,515	-	50,515
Income surtax:						
General purposes				290,496	-	290,496
Capital outlay				160,995	-	160,995
Local option sales tax				362,329	-	362,329
Unrestricted state grants				2,425,541	-	2,425,541
Unrestricted investment earnings				32,194	-	32,194
Other				4,728	-	4,728
Total general revenues				5,896,187	-	5,896,187
Change in net assets				#VALUE!	872	#VALUE!
Net assets beginning of year				5,112,078	9,016	5,121,094
Net assets end of year				#VALUE!	9,888	#VALUE!

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Nonmajor Special Revenue	Total
Assets						
Cash and pooled investments	\$ 469,799	4,699,734	226,757	4	186,474	5,582,768
Receivables:						
Property tax:						
Current year	40,894	-	2,697	886	3,087	47,564
Succeeding year	2,391,723	-	199,077	-	150,000	2,740,800
Income surtax	206,860	-	147,757	-	-	354,617
Due from other governments	35,751	30,211	-	-	-	65,962
Other receivables	3,297	-	-	-	-	3,297
Total assets	<u>\$ 3,148,324</u>	<u>4,729,945</u>	<u>576,288</u>	<u>890</u>	<u>339,561</u>	<u>8,795,008</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 117,008	655,165	-	-	21	772,194
Deferred revenue:						
Succeeding year property tax	2,391,723	-	199,077	-	150,000	2,740,800
Succeeding year income surtax	206,860	-	147,757	-	-	354,617
Total liabilities	<u>2,715,591</u>	<u>655,165</u>	<u>346,834</u>	<u>-</u>	<u>150,021</u>	<u>3,867,611</u>
Fund balances:						
Reserved for capital projects	-	4,074,780	-	-	-	4,074,780
Unreserved, undesignated	432,733	-	229,454	890	189,540	852,617
Total fund balances	<u>432,733</u>	<u>4,074,780</u>	<u>229,454</u>	<u>890</u>	<u>189,540</u>	<u>4,927,397</u>
Total liabilities and fund balances	<u>\$ 3,148,324</u>	<u>4,729,945</u>	<u>576,288</u>	<u>890</u>	<u>339,561</u>	<u>8,795,008</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 4,927,397
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	354,617
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,255,166
Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,321,013)
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	<u>(47,933)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 5,168,234</u>

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Nonmajor Special Revenue	Total
Revenues:						
Local sources:						
Local tax	\$ 2,500,479	362,329	320,358	50,515	150,180	3,383,861
Tuition	523,733	-	-	-	-	523,733
Other	112,868	313,815	7,406	-	189,462	623,551
State sources	3,051,810	-	94	31	96	3,052,031
Federal sources	175,351	-	-	-	-	175,351
Total revenues	6,364,241	676,144	327,858	50,546	339,738	7,758,527
Expenditures:						
Current:						
Instruction:	4,687,059	-	3,500	-	220,428	4,910,987
Support services:						
Student services	148,500	-	-	-	-	148,500
Instructional staff services	139,135	-	-	-	-	139,135
Administration services	643,668	-	-	-	83,768	727,436
Operation and maintenance of plant services	793,741	-	-	-	27,196	820,937
Transportation services	354,098	-	-	-	-	354,098
	2,079,142	-	-	-	110,964	2,190,106

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Nonmajor Special Revenue	Total
Other expenditures:						
AEA flowthrough	245,750	-	-	-	-	245,750
Long-term debt:						
Principal	-	-	-	235,000	-	235,000
Interest	-	-	-	297,000	-	297,000
Services	-	-	-	200	-	200
Facilities acquisition and construction	-	4,489,061	143,780	-	-	4,632,841
	245,750	4,489,061	143,780	532,200	-	5,410,791
Total expenditures	7,011,951	4,489,061	147,280	532,200	331,392	12,511,884
Excess (deficiency) of revenues over (under) expenditures	(647,710)	(3,812,917)	180,578	(481,654)	8,346	(4,753,357)
Other financing sources (uses):						
Operating transfers in	-	-	-	482,544	-	482,544
Operating transfers out	-	(334,044)	(148,500)	-	-	(482,544)
	-	(334,044)	(148,500)	482,544	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	(647,710)	(4,146,961)	32,078	890	8,346	(4,753,357)
Fund balances beginning of year	1,080,443	8,221,741	197,376	-	181,194	9,680,754
Fund balances end of year	\$ 432,733	4,074,780	229,454	890	189,540	4,927,397

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ (4,753,357)

*Amounts reported for governmental activities in the Statement of
 Activities are different because:*

Income surtaxes not collected for several months after the District's
 fiscal year ends are not considered "available" revenues in the
 governmental funds and are included as deferred revenues. They are,
 however, recorded as revenues in the statement of activities 49,863

Capital outlays to purchase or build capital assets are reported in
 governmental funds as expenditures. However, those costs are
 reported in the Statement of Net Assets and are allocated over their
 estimated useful lives as depreciation expense in the Statement of
 Activities. The amounts of capital outlays and depreciation expense
 in the year are as follows:

Capital outlays	\$ 4,754,738	
Depreciation expense	<u>(168,142)</u>	4,586,596

Early retirement expenses reported in the Statement of Activities do not
 require the use of current financial resources and, therefore, are not
 reported as expenditures in the governmental funds:

Current year payments	67,500	
Current year additions	<u>(131,013)</u>	(63,513)

Interest on long-term debt in the Statement of Activities differs from
 the amount reported in the governmental funds because interest is
 recorded as an expenditure in the funds when due. In the Statement
 of Activities, interest expense is recognized as the interest accrues,
 regardless of when it is due. 1,567

Repayment of long-term liabilities is an expenditure in the
 governmental funds, but the repayment reduces long-term liabilities
 in the Statement of Net Assets. Current year repayments were as follows:

Repaid	<u>235,000</u>	
--------	----------------	--

Change in net assets of governmental activities (Exhibit B) \$ 56,156

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 222,896
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	128,893
Benefits	40,556
Services	2,692
Supplies	187,896
Depreciation	<u>1,354</u>
Total operating expenses	<u>361,391</u>
Operating (loss)	<u>(138,495)</u>
Non-operating revenues:	
State sources	4,158
Federal sources	134,948
Interest income	<u>261</u>
	<u>139,367</u>
Changes in net assets	872
Net assets beginning of year	<u>9,016</u>
Net assets end of year	<u>\$ 9,888</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 222,896
Cash payments to employees for services	(169,449)
Cash payments to suppliers for goods or services	(173,355)
Net cash (used in) operating activities	<u>(119,908)</u>
Cash flows from non-capital financing activities:	
State grants received	4,158
Federal grants received	115,489
Net cash provided by non-capital financing activities	<u>119,647</u>
Cash flows from investing activities:	
Interest on investments	<u>261</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u>\$ -</u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	\$ (138,495)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	\$ 1,354
Commodities used	19,459
Decrease in inventory	1,929
(Decrease) in accounts payable	(4,155)
	<u>\$ (119,908)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$19,459.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	<u>Agency Fund</u>
Assets	
Cash and pooled investments	\$ <u>11,522</u>
Total assets	<u>11,522</u>
Liabilities	
Accounts payable	<u>\$ 11,522</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Emmetsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Emmetsburg, Iowa, and agricultural area in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Emmetsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Emmetsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District for administering its flex spending plan.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the ended June 30, 2008, expenditures in the support services function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,928,014	-	-	4,928,014
Construction in Progress	-	4,686,426	-	4,686,426
Furniture and Equipment	1,223,888	68,312	49,730	1,242,470
Total capital assets being depreciated	6,151,902	4,754,738	49,730	10,856,910
Less accumulated depreciation for:				
Buildings	2,520,256	94,587	-	2,614,843
Furniture and Equipment	973,076	73,555	49,730	996,901
Total accumulated depreciation	3,493,332	168,142	49,730	3,611,744
Total capital assets being depreciated, net	2,658,570	4,586,596	-	7,245,166
Governmental activities, capital assets, net	\$ 2,668,570	4,586,596	-	7,255,166

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 125,304	-	-	125,304
Less accumulated depreciation	122,018	1,354	-	123,372
Business type activities capital assets, net	<u>\$ 3,286</u>	<u>(1,354)</u>	<u>-</u>	<u>1,932</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Plant operation and maintenance

Transportation services

\$ 82,316

85,826

\$ 168,142

Business Type activities:

Food service operations

\$ 1,354

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity and provide monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08A	6/27/07	6/27/08	\$ -	-	-	-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2008.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.500%	5.455%

(5) Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	<u>General Obligation Bonds</u>	<u>Early Retirement</u>	<u>Total</u>
Balance beginning of year	\$7,425,000	67,500	7,492,500
Additions	-	131,013	131,013
Reductions	<u>235,000</u>	<u>67,500</u>	<u>302,500</u>
Balance end of year	<u>\$7,190,000</u>	<u>131,013</u>	<u>7,321,013</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of May 1, 2007</u>			
	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.00%	\$ 287,600	245,000	532,600
2010	4.00	277,800	260,000	537,800
2011	4.00	267,400	270,000	537,400
2012	4.00	256,600	280,000	536,600
2013	4.00	245,400	295,000	540,400
2014-2018	4.00	1,039,200	1,685,000	2,724,200
2019-2023	4.00	670,200	2,105,000	2,775,200
2024-2027	4.00	<u>209,400</u>	<u>2,050,000</u>	<u>2,259,400</u>
Total		<u>\$3,253,600</u>	<u>7,190,000</u>	<u>10,443,600</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have attained the age of 55 on or before June 1 of the year of retirement but not exceeded the age of 62 when the benefit is elected. For benefits to be payable, the licensed employee must have completed at least 15 years of full-time service in the district, the last 10 years of which must be continuous employment. The early retirement benefit for each eligible employee is equal to the difference between BA step 4 and the salary reflected from the employee's position on the salary schedule. The benefit (for those electing the cash payment option) shall be payable one-half ($\frac{1}{2}$) on September 15 and one-half ($\frac{1}{2}$) on January 15 following retirement. For those electing the insurance option, the insurance premiums will be paid until the funds are exhausted. Early retirement benefits paid during the year ended June 30, 2008 totaled \$67,500. The cost of early retirement payments expected to be liquidated currently is recorded as a long-term liability in the amount of \$131,013.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$253,681, \$227,272, and \$214,351 respectively, equal to the required contributions for each year.

(7) Risk Management

Emmetsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$245,750 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Physical Plant and	
	Equipment Levy	<u>\$148,500</u>
Debt Service	Capital Projects	<u>\$334,044</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(10) Related Party Transactions

The District had \$889 of business transactions between the District and District officials during the year ending June 30, 2008. These are described in the Schedule of Findings on Page 41.

(11) Commitments

The District is currently constructing a new middle school addition to the existing high school and remodeling the existing building. As of June 30, 2008 the following commitments had been made.

Total bids awarded	\$8,128,838
Total project completed	4,446,894
Total amounts retained	222,345
Total amounts paid to date	3,791,729
Total amount currently payable	432,820
Balance to complete	3,681,944

Required Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 4,531,145	223,157	4,754,302	4,561,582	4,561,582	192,720
State sources	3,052,031	4,158	3,056,189	3,093,213	3,093,213	(37,024)
Federal sources	175,351	134,948	310,299	385,000	385,000	(74,701)
Total revenues	<u>7,758,527</u>	<u>362,263</u>	<u>8,120,790</u>	<u>8,039,795</u>	<u>8,039,795</u>	<u>80,995</u>
Expenditures:						
Instruction	4,910,987	-	4,910,987	5,260,933	5,260,933	349,946
Support services	2,190,106	-	2,190,106	2,062,077	2,062,077	(128,029)
Non-instructional programs	-	361,391	361,391	375,000	375,000	13,609
Other expenditures	5,410,791	-	5,410,791	8,194,110	8,194,110	2,783,319
Total expenditures	<u>12,511,884</u>	<u>361,391</u>	<u>12,873,275</u>	<u>15,892,120</u>	<u>15,892,120</u>	<u>3,018,845</u>
Excess (deficiency) of revenues over (under) expenditures	(4,753,357)	872	(4,752,485)	(7,852,325)	(7,852,325)	3,099,840
Other financing sources (uses)	-	-	-	7,425,000	7,425,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(4,753,357)	872	(4,752,485)	(427,325)	(427,325)	3,099,840
Balance beginning of year	9,680,754	9,016	9,689,770	2,268,117	2,268,117	7,421,653
Balance end of year	<u>\$ 4,927,397</u>	<u>9,888</u>	<u>4,937,285</u>	<u>1,840,792</u>	<u>1,840,792</u>	<u>10,521,493</u>

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the support service function. The District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	Management	Student Activity	Total
Assets			
Cash and pooled investments	\$ 137,704	48,770	186,474
Property tax receivable:			
Current year	3,087	-	3,087
Succeeding year	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total assets	<u>\$ 290,791</u>	<u>48,770</u>	<u>339,561</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	21	21
Deferred revenue:			
Succeeding year property tax	<u>150,000</u>	<u>-</u>	<u>150,000</u>
	<u>150,000</u>	<u>21</u>	<u>150,021</u>
Fund balances:			
Unreserved fund balance	<u>140,791</u>	<u>48,749</u>	<u>189,540</u>
	<u>140,791</u>	<u>48,749</u>	<u>189,540</u>
Total liabilities and fund balances	<u>\$ 290,791</u>	<u>48,770</u>	<u>339,561</u>

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2008

	<u>Management</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 150,180	-	150,180
Other	1,515	187,947	189,462
State sources:	96	-	96
Total revenues	<u>151,791</u>	<u>187,947</u>	<u>339,738</u>
Expenditures:			
Instruction:	11,843	208,585	220,428
Support services:			
Administration services	83,768	-	83,768
Plant operation and maintenance	<u>27,196</u>	<u>-</u>	<u>27,196</u>
Total expenditures	<u>122,807</u>	<u>208,585</u>	<u>331,392</u>
Excess (deficiency) of revenues over (under) expenditures	28,984	(20,638)	8,346
Fund balance beginning of year	<u>111,807</u>	<u>69,387</u>	<u>181,194</u>
Fund balance end of year	<u>\$ 140,791</u>	<u>48,749</u>	<u>189,540</u>

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Tickets	\$ 20	11,355	54	11,321
Rental Fees	5	641	710	(64)
V Show Choir Rental	-	1,880	-	1,880
JV Show Choir Rental	358	970	1,027	301
Concert Choir Uniform Rental	647	2,765	2,782	630
Gifts and Donations	3,827	761	761	3,827
Interest Earned	1,809	2,253	795	3,267
Elementary Art Fair	753	3,524	4,147	130
Tournaments	-	6,921	6,921	-
Middle School Music	333	-	916	(583)
HS Vocal Music	-	8,783	13,472	(4,689)
HS Instrumental Music	-	932	951	(19)
Swing Choir	3,472	-	250	3,222
Musical/Play	-	406	2,245	(1,839)
Pupil Insurance	12	1,437	674	775
Pepsi Funds	11,821	7,899	7,799	11,921
FFA	2,417	18,323	21,046	(306)
Speech and Drama	-	100	592	(492)
Elementary Student Council	4,854	2,751	2,775	4,830
MS Student Council	(2,713)	3,930	4,413	(3,296)
HS Student Council	2,631	8,131	8,002	2,760
Concessions	1,078	939	1,292	725
Previous Year Aerie	155	125	155	125
Present Year Aerie	6,551	9,855	11,867	4,539
Previous Classes	3,264	-	345	2,919
Class of 2010	-	43	-	43
Class of 2009	(118)	20,873	18,689	2,066
Class of 2006	(51)	-	60	(111)
Class of 2007	-	10	60	(50)
Class of 2008	1,196	1,575	406	2,365
Cheerleaders	1,610	1,676	4,581	(1,295)
Peer Counseling	105	-	-	105
Spanish Club	1,793	-	-	1,793
General Athletics	14,591	59,203	79,773	(5,979)
Speed and Agility	191	449	909	(269)
HS Football	1,949	5,912	5,349	2,512
HS Boys Track	-	775	737	38
HS Volleyball	650	1,692	1,953	389
Journalism	395	-	-	395
Towels	4,620	136	791	3,965
Helping Hands	1,000	1,022	1,286	736
Maier Fund	162	-	-	162
	<u>\$ 69,387</u>	<u>187,947</u>	<u>208,585</u>	<u>48,749</u>

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2005
Revenues:					
Local sources:					
Local tax	\$ 3,383,861	3,398,214	3,387,786	3,279,793	2,784,860
Tuition	523,733	633,127	522,290	417,357	407,700
Other	623,551	457,340	386,271	363,099	293,795
State sources	3,052,031	3,013,420	2,860,913	2,932,086	2,911,901
Federal sources	175,351	268,678	300,229	208,250	325,503
Total	<u>\$ 7,758,527</u>	<u>7,770,779</u>	<u>7,457,489</u>	<u>7,200,585</u>	<u>6,723,759</u>
Expenditures:					
Instruction	\$ 4,910,987	4,405,024	4,058,450	4,135,201	4,200,251
Support services:					
Student	148,500	140,130	129,598	231,101	280,416
Instructional staff	139,135	154,341	163,935	158,401	135,024
Administration	727,436	1,128,369	635,668	573,344	704,940
Operation and maintenance of plant	820,937	736,696	641,744	536,930	560,012
Transportation	354,098	370,009	372,138	361,809	193,044
Other expenditures:					
Facilities acquisition	4,632,841	340,564	93,296	260,086	301,822
Debt Service:					
Principal	235,000	125,000	125,000	125,000	125,000
Interest	297,000	3,688	7,000	9,813	16,742
Services	200	-	-	-	-
AEA flowthrough	245,750	240,007	232,284	231,258	236,675
Total	<u>\$ 12,511,884</u>	<u>7,643,828</u>	<u>6,459,113</u>	<u>6,622,943</u>	<u>6,753,926</u>

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emmetsburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency as well as a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Emmetsburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Emmetsburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Emmetsburg Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Emmetsburg Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above, 08-I-A, we believe is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emmetsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmetsburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Emmetsburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Emmetsburg Community School District and other parties to whom Emmetsburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmetsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

January 19, 2009

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the certified budget amount in the support service function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

08-II-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dave Van Oosbree Board Member	Repairs	\$889

The transactions with Mr. Van Oosbree do not exceed the \$2,500 limit allowed by Iowa law.

Recommendation - We recommend that the District annually review these transactions to ensure continued compliance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

08-II-J Certified Enrollment - We noted no variances in the basis enrollment data certified to the Department of Education.